

**HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
HOWARD COUNTY RETIREMENT PLAN**

JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES

June 27, 2019

A joint meeting of the Retirement Plan Committees for the Howard County Police and Fire Employees' Retirement Plan (the "Police and Fire Plan") and the Howard County Retirement Plan (the "Employees Plan") (jointly, the "Plans") was held on Thursday, June 27, 2019 at 9:00 a.m. in the Columbia/Ellicott City Room at the George Howard Building, 3430 Court House Drive, Ellicott City, Maryland 21043.

Police and Fire Plan:

Members Present:

Human Resources Administrator: Wanda Hutchinson
Chief Administrative Officer: Lonnie Robbins
Director of Finance: Janet Irvin
Budget Administrator: Holly Sun
Representative, Police Department Supervisory Employees:
 Jason Luckenbaugh (Non-Voting Member in Fiscal Year 2019)
Representative, Fire and Rescue Supervisory Employees:
 Vincent Baker (Voting Member in Fiscal Year 2019)
Representative, Howard County Police Officers' Association, Lodge 21:
 Craig Hoover
Representative, International Association of Firefighters, Local 2000:
 Richard Ruehl

Members Absent

None

Employees Plan:

Members Present:

Human Resources Administrator: Wanda Hutchinson
Chief Administrative Officer: Lonnie Robbins
Director of Finance Designee: Deputy Director of Finance: Angie Price
Budget Administrator Designee: Janssen Evelyn (arrived 9:10 a.m.)
Employee Representative: Jeff Bronow
Representative, American Federation of State, County and Municipal
 Employees Local 3085: Dale R. Chase (left at 10:30)
Representative, American Federation of State, County and
 Municipal Employees Local 3080: Kim Drennon

Members Absent

None

Also present for all or a portion of the meeting were:

Steve Peters, County Auditor's Office
Owen Clark, County Auditor's Office
Sima Taghavi, Department of Finance
Lori Buchman, Department of Finance
Jonathan Miller, Department of Finance
Margaret Belmondo, New England Pension Consultants (NEPC)
William Forde, New England Pension Consultants (NEPC)
Mary Claire Chesshire, Whiteford, Taylor & Preston L.L.P.
Teresa Reider, Retirement Coordinator, Office of Human Resources
Scott Southern, Retirement Assistant, Office of Human Resources
Jamar Herry, Office of Law

Wanda Hutchinson acted as Chair of the Meeting and Mary Claire Chesshire acted as Secretary.

Minutes of the May 31, 2019 meeting were unanimously approved by the members of both Committees with a correction to the second paragraph on page 2 changing the reference from "weekend" to "week." Minutes of the April 25, 2019 meeting were unanimously approved by the members of both Committees.

Under general business, Wanda Hutchinson acknowledged Steve Peters' upcoming retirement and thanked him for his years of contributions to the work of the Committees.

The sub-committee on risk assessment met. Dale Chase advised the Committees that both operational and investment risks were identified. Cyber risk was discussed in light of the City of Baltimore's recent attack and Dale noted how the Baltimore City Pension System was not affected because of maintenance of separate systems.

Margaret Belmondo of NEPC then provided a review of the search conducted for the Absolute Return Fixed Income Manager. The new Investment Policy Statement has a 4% allocation to Absolute Return Fixed Income. Margaret provided an overview of NEPC's screening and scoring process. All selections are subject to a peer review. The following candidates were identified: BlackRock, Loomis Sayles, PIMCO, Payden & Rygel, and Wellington Management. Absolute Return Managers are not compared to any particular benchmark, but build performance expectations around LIBOR + X% depending on the fund's strategy. For example, the Loomis - Strategic Alpha Fund targets return of LIBOR +2% to 4% with an average volatility of 4% to 6%.

Margaret provided a country and sector allocation for each of the managers and an overview of risk and return over three, five, seven, and 10 years. The Wellington Fixed Income Opportunities Fund shows high returns correlating to equities, meaning that this fund can also

have a higher downside risk. Overall, NEPC believes that the Wellington Fund in this strategy is too risky.

The Committees agreed to interview Loomis – Sayles, Payden and Rygel, and BlackRock. PIMCO was dismissed as too expensive and Wellington was dismissed as too risky. A subcommittee consisting of Janet Irvin, Vince Baker, Holly Sun, and Jason Luckenbaugh was formed to interview the candidates.

Will Forde then provided an overview of the “traditional” managers’ fees. Each of the traditional managers’ fees is generally in line with their universal ranking. The Committees reviewed the fee schedules for all equities and fixed income. Will recommended that the Committees consider moving the U.S. Large Cap investment currently managed by Invesco to a passive strategy. Invesco is currently charging a 27 basis point fee whereas a passive strategy would charge approximately 4 basis points resulting in a fee savings of over \$160,000. Will Forde also reviewed the managers’ delivered alpha versus the fees.

Dale Chase made a motion to terminate the U.S. Large Cap Equity Investment with Invesco and move to a passive mandate. During discussion, a question was raised about the timing of the exchange and the potential for a loss incurred due to being out of the market. The estimated time between liquidation of the Invesco investment and investing in a passive strategy is approximately one week. At the next meeting, NEPC will make recommendations for replacement passive strategies for the U.S. Large Cap Equity Investment.

Dale Chase then withdrew his motion pending the Committees’ decision on a replacement fund.

Margaret and Will then provided an overview of the May, 2019 performance. The market value of the fund as of May 31, 2019 is \$1,051,436,464. The fiscal year-to-date return is 3.4% compared to the policy index of 3.4%.

Margaret Belmondo provided an overview of the hedge fund investments including a description of the various types of hedge funds and compensation structure, the rationale for investments in hedge funds and the pros and cons of each. The hedge funds investment in Magnitude and Blackstone are generally low volatility. Margaret proceeded to provide an in-depth of the positives and negatives of both Magnitude Capital and Blackstone Partners Offshore Fund including diversity profiles, fee review, and transparency concerns.

Scott Southern then presented the updated Disability Retirement Procedures for the Howard County Retirement Plan highlighting the changes between the current policy and the proposed update. The proposed changes generally eliminate references to a Medical Advisory Board, provide more flexibility with the time schedule applicable to the review of applications and scheduling of appeals, provide that annual recertifications are presented to the Retirement Plan Committee for approval and impose a four-year statute of limitations following termination of employment for a participant to apply for disability benefits.

Upon motion duly made and seconded, the Howard County Retirement Plan Disability Retirement Procedures were unanimously adopted on behalf of the Committee for the Howard County Retirement Plan.

At 10:58 a.m., a motion was made by Angie Price and seconded by Jeff Bronow to close the meeting pursuant to General Provisions Article § 3-305(b)(1)(ii) to discuss a personnel matter that affects one or more specific individuals. Wanda Hutchinson, Lonnie Robinson, Angie Price, Janssen Evelyn, Jeff Bronow, and Kim Drennon all voted in favor of the motion, Dale Chase was absent, there were no negative or abstentions.

Representatives of the Police and Fire Plan were excused at 10:58 a.m.

During the closed session, a disability recertification and benefit reclassification for a retiree was discussed.

The meeting was reopened at 11:10.

At 11:11 a.m., a motion was made by Jason Luckenbaugh and seconded by Richard Ruehl to close the meeting pursuant to General Provisions Article § 3-305(b)(1)(ii) to discuss a personnel matter that affects one or more specific individuals. Wanda Hutchinson, Lonnie Robbins, Jason Luckenbaugh, Craig Hoover, Vincent Baker, and Richard Ruehl voted in favor of the motion. Janet Irvin and Holly Sun were absent, there were no abstentions or negative votes.

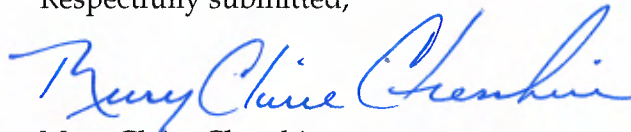
Representatives of the Howard County Retirement Plan were excused.

During the closed session, a disability recertification and offset for a retiree was discussed.

At 11:25 p.m., a motion to open the meeting was unanimously approved.

There being no further business, the meeting adjourned at 11:25 p.m.

Respectfully submitted,



Mary Claire Chesshire
Secretary of the Meeting

**EXHIBITS
TO
MINUTES OF HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT
PLAN
AND HOWARD COUNTY RETIREMENT PLAN
JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES**

June 27, 2019

1. Presentation by NEPC – Absolute Return Fixed Income Manager Search – June 27, 2019.
2. Presentation by NEPC – Meeting Materials – June 27, 2019
3. Howard County Retirement Plan Disability Retirement Procedures Update and Revised Procedures